

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2131
ANSWERED ON:05.12.2014
FORWARD FUTURE MARKET
Patel Shri Prahlad Singh

Will the Minister of FINANCE be pleased to state:

- (a) whether Forward/Future Market is primarily responsible for price rise;
- (b) if so, the details thereof and the plan to put a check on Forward/Future Market;
- (c) whether the intermediaries get large chunk of profit of farmers due to Forward/ Future Market;and
- (d) if so, the action taken/being taken by the Government to stop this practice?

Answer

MINISTER OF FINANCE (SHRI ARUN JAITLEY)

(a) and (b): No, Madam. The commodity futures market is a mechanism for price discovery and price risk management. The price of any commodity is determined by actual demand and supply position in the market. The futures market merely discovers the likely prices of a given commodity at future points of time depending on the expectations of supply and demand.

(c) and (d): No Madam. The futures prices are discovered in a transparent manner on the online platforms of the national commodity derivatives exchanges. The futures market leads to reduction in seasonal price volatility which leads to better price realisation for the farmer at the time of harvest. With the help of information on future price trends, and probable supply and demand of various commodities, the farmers can plan their cultivation as well as storage and sale of their produce in advance,

The Forward Markets Commission has implemented a project to disseminate the futures prices and spot prices by installing Ticker Boards at important Mandis /Agricultural Produce Market Committees etc. Prices are also being disseminated through SMS alerts and local newspapers. This has helped to reduce the information asymmetry and enables the farmer in realizing a better price for his produce from the intermediaries in commodity spot markets.